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Question 1. (Multi Select)

An analyst reviews an alert for high volume Automated Clearing House (ACH) activity in an account. The analyst's initial research finds the account is for a commercial daycare account that receives high volumes of large government-funded ACH transactions to support the programs. The account activity consists of checks (cheques) made payable to individual names in varying dollar amounts. One check indicates rent to another business.

An Internet search finds that the daycare company owner has previous government-issued violations for safety and classroom size needs, such as not having enough chairs and tables per enrollee. These violations were issued to a different daycare name.

Simultaneous to this investigation, another analyst sends an email about negative news articles referencing local child/adult daycare companies misusing governmental grants. This prompts the financial institution (FI) to search all businesses for names containing daycare' or care*. Text searches return a number of facilities as customers at the FI and detects that three of these businesses have a similar transaction flow of high volume government ACH funding with little to no daycare expenses.

The analyst determines that site visits should be conducted for the three daycare businesses. Which observations at the on-site visits would justify writing a SAR/STR? (Select Three.)

- A: Signs of severe wear and poor maintenance at the site
- B: A site located in a commercial building
- C: Lights turned off at the site during operational hours
- D: Visible attendance with children being dropped off by parents
- E: Visible signage indicating the purpose of the building
- F: A full parking lot of cars with no staff at the site

Correct Answer: A, C, F

Explanation:

The observations at the on-site visits that would justify writing a SAR/STR are signs of severe wear and poor maintenance at the site (A), lights turned off at the site during operational hours ©, and a full parking lot of cars with no staff at the site (F). These observations suggest that the daycare businesses are not operating legitimately or providing adequate services to their customers, and that they may be misusing governmental grants or laundering money through their accounts. These observations are consistent with some of the red flags for fraud identified

by ACAMS2, such as:

Inadequate facilities or equipment for the type of business

Lack of visible activity or customers at the business location

Discrepancy between reported income and expenses

Unusual volume or frequency of transactions

The other observations are not as relevant or indicative of fraud as options A, C, and F. A site located in a commercial building (B) could be a normal or legitimate choice for a daycare business, depending on its size, location, and availability. Visible attendance with children being dropped off by parents (D) could show that the daycare business is providing genuine services to its customers, although it does not rule out possible fraud or money laundering. Visible signage indicating the purpose of building (E) could also show that the daycare business is transparent and legitimate, although it does not guarantee its quality or compliance.

Question 2. (Single Select)

Law enforcement (LE) suspects human trafficking to occur during a major sporting event. LE officers asked several financial institutions (FIs) to monitor financial transactions occurring before, during, and after the event.

An investigator identified a pattern linked to a business. The business* account received multiple even dollar deposits between midnight and 4:00 AM. They occurred each day for several days prior to the date of the sporting event. Also, large cash deposits, typically between 2,000 USD and 3,000 USD, made by a person to the business' account occurred in many branches in the days after the sports event.

There was little information about the company. The company did not have any history of employee payroll expenses or paying taxes. Expenses from the business account included air travel and hotel expenses. Searches about the person making cash deposits showed little. An online social media platform webpage with the individual's name showed ads for dates" and "companionship."

Which fact should not be included in the SAR/STR narrative?

- A: The air travel and hotel expenses
- B: The time of the cash deposits
- C: The sporting event
- D: The request by law enforcement

Correct Answer: B

Explanation:

The fact that should not be included in the SAR/STR narrative is the request by law enforcement (D). This is because the request by law enforcement is confidential and should not be disclosed to the customer or anyone else who is not authorized to know it. According to the ACAMS Advanced Financial Crimes Investigations Certification Study Guide¹, “the FI should not include any reference to the LE request in the SAR/STR narrative, as this could compromise the LE investigation or alert the customer of the suspicion” (p. 35). The FI should also not inform the customer of the LE request or delay filing the SAR/STR because of it.

The other facts should be included in the SAR/STR narrative, as they are relevant and indicative of human trafficking money laundering. The air travel and hotel expenses (A) show that the customer is involved in moving people across different locations, which could be a sign of human smuggling or trafficking. The time of the cash deposits (B) shows that the customer is receiving cash payments during unusual hours, which could be a sign of illicit activities or services. The sporting event © shows that the customer is exploiting a high-demand situation for their business, which could be a sign of opportunistic or organized crime.

Question 3. (Multi Select)

An analyst reviews an alert for high volume Automated Clearing House (ACH) activity in an account. The analyst's initial research finds the account is for a commercial daycare account that receives high volumes of large government-funded ACH transactions to support the programs. The account activity consists of checks (cheques) made payable to individual names in varying dollar amounts. One check indicates rent to another business.

An Internet search finds that the daycare company owner has previous government-issued violations for safety and classroom size needs, such as not having enough chairs and tables per enrollee. These violations were issued to a different daycare name.

Simultaneous to this investigation, another analyst sends an email about negative news articles referencing local child/adult daycare companies misusing governmental grants. This prompts the financial institution (FI) to search all businesses for names containing daycare' or "care*. Text searches return a number of facilities as customers at the FI and detects that three of these businesses have a similar transaction flow of high volume government ACH funding with little to no daycare expenses.

During the investigation, new suspicious patterns and trends related to check cashing are observed. The FI decides to conduct a training to ensure that 1) the AML program is robust and 2) the training program is relevant and appropriate. Which parties should be trained on emerging trends and red flags? (Select Two.)

- A: Financial crimes investigation unit
- B: Loan department
- C: Branch personnel
- D: Senior management
- E: The board of directors

Correct Answer: A, C

Explanation:

The parties that should be trained on emerging trends and red flags are the financial crimes investigation unit (A) and the branch personnel ©. These parties are directly involved in detecting, investigating, and reporting suspicious activity related to check cashing or other types of fraud or money laundering. According to the ACAMS Advanced Financial Crimes Investigations Certification Study Guide¹, “the FI should provide regular and relevant training to its staff on the AML program, policies, procedures, and systems, as well as on the latest typologies, indicators, and best practices for financial crimes investigations” (p. 36). The FI should also “ensure that the training is tailored to the specific roles and responsibilities of the staff, and that it is updated and evaluated periodically” (p. 36).

The other parties are not as relevant or appropriate as options A and C. The loan department (B) is not directly related to check cashing or other types of fraud or money laundering, although it may have some exposure to credit or identity fraud. The senior management (D) is responsible for overseeing and supporting the AML program, but not for conducting or supervising financial crimes investigations. The board of directors (E) is responsible for approving and reviewing the AML program, but not for implementing or monitoring it.

Question 4. (Single Select)

A KYC specialist from the first line of defense at a bank initiates an internal escalation based on a letter of credit received by the bank.

MEMO

To: Jane Doe. Compliance Manager, Bank B From: Jack Brown, KYC Specialist, Bank B RE: Concerning letter of credit

A letter of credit (LC) was received from a correspondent bank. Bank

A: in Country in Asia with strict capital controls, providing guarantee of payment to Bank B's client for the export of 10 luxury cars located in Country B. located in Europe. Bank A's customer is a general in the army where Bank A is headquartered.

B: File a SAR/STR in relation to corruption involving the nephew and the general.

C: Determine whether there is a business relationship between the nephew and the general.

D: Seek senior management approval to continue the relationship with the nephew.

E: Flag the nephew as a PEP by association.

Correct Answer: D

Explanation:

The step that the investigator should take next is to flag the nephew as a PEP by association (D). This is because the nephew is related to a general who is a senior military official and a customer of Bank A, which is a high-risk jurisdiction with strict capital controls. According to the ACAMS Advanced Financial Crimes Investigations Certification Study Guide¹, “the FI should identify and flag any customers who are PEPs or have close associations with PEPs, such as family members or business partners” (p. 24). The FI should also conduct enhanced due diligence on these customers and monitor their transactions for any suspicious or unusual activity.

The other options are not correct. The investigator should not file a SAR/STR in relation to corruption involving the nephew and the general (A), as this could be premature or unnecessary, as there is no evidence of corruption or criminal activity between them. The investigator should not determine whether there is a business relationship between the nephew and the general (B), as this is not relevant or material to the investigation, as the nephew and the general are customers of different banks and are not involved in the same transaction. The investigator

should not seek senior management approval to continue the relationship with the nephew ©, as this could be premature or disproportionate, as there is no indication that the nephew poses a high risk or requires termination.

Question 5. (Single Select)

A KYC specialist from the first line of defense at a bank initiates an internal escalation based on a letter of credit received by the bank.

MEMO

To: Jane Doe. Compliance Manager, Bank B From: Jack Brown, KYC Specialist, Bank B RE: Concerning letter of credit

A letter of credit (LC) was received from a correspondent bank. Bank

A: in Country in Asia with strict capital controls, providing guarantee of payment to Bank B's client for the export of 10 luxury cars located in Country B. located in Europe. Bank A's customer is a general in the army where Bank A is headquartered.

B: should be treated well to avoid reputational damage to the bank

C: is a high-net-worth individual

D: should be flagged as a senior PEP.

E: is a trustworthy source.

Correct Answer: C

Explanation:

The investigator should determine that a nephew of the general (Bank A's customer) should be flagged as a senior PEP ©. This is because the nephew is related to a senior military official who is a customer of Bank A, which is a high-risk jurisdiction with strict capital controls. According to the ACAMS Advanced Financial Crimes Investigations Certification Study Guide¹, "the FI should identify and flag any customers who are PEPs or have close associations with PEPs, such as family members or business partners" (p. 24). The FI should also conduct enhanced due diligence on these customers and monitor their transactions for any suspicious or unusual activity.

The other options are not correct. The investigator should not determine that a nephew of the general should be treated well to avoid reputational damage to the bank (A), as this could compromise the integrity and objectivity of the investigation, as well as expose the bank to legal or regulatory risks. The investigator should not determine that a nephew of the general is a high-net-worth individual (B), as this is not relevant or material to the investigation, as the nephew's wealth does not affect his potential PEP status or risk level. The investigator should not determine that a nephew of the general is a trustworthy source (D), as this could be biased or inaccurate, as the nephew's trustworthiness does not depend on his relation to the general or his involvement in the transaction.



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